

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 TRSE-00 L-03 H-01 EB-07 COME-00 OMB-01

SP-02 SEC-01 CIAE-00 INR-07 NSAE-00 SSO-00 INRE-00

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC IMMEDIATE 7514

C O N F I D E N T I A L BUDAPEST 4145

E.O. 11652: GDS

TAGS: EFIN, HU

SUBJECT: WORLD WAR I FLOUR DEBT

REF: (A) STATE 299594, (B) BUDAPEST 4016, (C) STATE 290452

1. SUMMARY: EMBASSY HAS QTE INFORMALLY UNQTE CONVEYED INFO CONTAINED REFTELS TO GOH. IT APPEARS THAT, BASED ON SCENARIO WORKED OUT BETWEEN ECONOFF AND HUNGARIAN MINFIN, GOH WILL OFFICIALLY CALL IN CHARGE FOR NEGOTIATIONS DECEMBER 14. AT THAT TIME IT IS LIKELY GOH WILL AGREE TO PAY FULL AMOUNT DUE AND WILL REQUEST THAT SETTLEMENT BE EFFECTED AS OF DECEMBER 15. LAST PARAGRAPH OF THIS TELEGRAM REQUESTS CLARIFICATIONS AND INSTRUCTIONS NEEDED BY DECEMBER 13. END SUMMARY

2. EMBASSY MOST APPRECIATIVE FOR CLEAR AND CONCISE TABLES DETAILING USG CALCULATIONS. GOH HAD BEEN ANXIOUS TO DETERMINE STATE OF PLAY IN WASHINGTON ON WORLD WAR I DEBT, AND TO THIS END HAD SOUGHT TO DISCUSS MATTER WITH EUR/EE DESK OFFICER GERTH DURING HIS VISIT TO BUDAPEST. UNFORTUNATELY, THIS WAS NOT POSSIBLE SINCE HUNGARIAN MFA ONLY SOUGHT TO BRING GERTH AND HUNGARIAN MINFIN OFFICIALS TOGETHER LATE IN THE EVENING BEFORE GERTH'S DEPARTURE FROM BUDAPEST. ECONOFF SAME EVENING THEN ARRANGED TO DISCUSS WITH HUNGARIAN MINFIN DIRECTOR GENERAL AKAR AT EARLIEST OPPORTUNITY, WHILE AWAITING REPLY TO BUDAPEST 4016. EARLIEST OPPORTUNITY FOR AKAR WAS DECEMBER 10.

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3. EMBASSY GOAL OF INFORMAL MEETING WAS TO PREPARE GOH

TO RESPOND RAPIDLY TO USG POSITION AS SOON AS IT WAS POSSIBLE TO ARRANGE FORMAL NEGOTIATIONS.

4. STATE 299594 FORTUITOUSLY ARRIVED TWO HOURS BEFORE SCHEDULED MEETING (WORKING LUNCHEON). DURING TWO-HOUR DISCUSSION WITH ECONOFF AKAR INDICATED THAT GOH IS PREPARED TO PAY INTEREST ON ACCRUED DEFAULTED PRINCIPAL. ECONOFF SAVED FOR DESSERT COURSE NEWS THAT DUE TO ACCOUNTING ERRORS BY USG, MAGYARS WOULD NOW HAVE TO PAY AN ADDITIONAL \$105,635.52. THIS WENT DOWN WITH EXTRA CULP OF APRICOT BRANDY.

5. ECONOFF THEN PRESENTED AND DISCUSSED USG CALCULATIONS. ONLY QUESTION CONCERNED CHARGING OF FOUR PERCENT INTEREST ON HOOVER MORATORIUM PORTION AFTER 10-YEAR EXPIRY PERIOD (1943). POSSIBLE (BUT UNLIKELY) THAT GOH WILL ARGUE THAT SINCE PROVISIONS OF 1924 ACT PREVAIL (REF C), RATE SHOULD REVERT TO 3-1/2 PERCENT. ASSUMING AKAR RECEIVES AGREEMENT FROM HUNGARIAN NATIONAL BANK VICE PRESIDENT FEKETE AND DEPUTY PRIME MINISTER SZEKER -- WHICH APPEARS 75 PERCENT CERTAIN -- FOLLOWING SCENARIO WORKED OUT:

A. GOH WILL CALL CHARGE FOR OFFICIAL DISCUSSIONS DECEMBER 14.

B. CHARGE WILL FORMALLY PRESENT USG POSITION PROVIDED REFTELS.

C. GOH WILL (HOPEFULLY) AGREE, AND PROPOSE EXCHANGE OF DIPLOMATIC NOTES, EFFECTING SETTLEMENT AS OF DECEMBER 15, 1976.

6. AKAR REQUESTED THAT ECONOFF DRAFT BOTH GOH NOTE AND USG REPLY. IDEALLY, USG WOULD PROVIDE ITS INFORMAL PROPOSAL FOR GOH NOTE ON DECEMBER 13. THE NOTE WOULD INCLUDE: (A) AMOUNT TO BE PAID TO ELIMINATE ARREARAGES; (B) SCHEDULE OF REMAINING PAYMENTS UNTIL 1985; (C) EFFECTIVE DATE OF PAYMENT; (D) USG ASSURANCES THAT SECURITIES AND EXCHANGE COMMISSION WILL, WITHIN A DEFINITE (REPEAT DEFINITE) TIME FRAME, PUBLISH A NOTICE RESCINDING SEC RELEASE 10610 AND STATING THAT THE RESTRICTIONS OF THE JOHNSON ACT NO LONGER CONFIDENTIAL

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APPLY TO HUNGARY; (E) PROVISION FOR RETURN OF BONDS STILL HELD BY U.S. TREASURY DEPARTMENT.

7. EXTRA TOAST WAS DRUNK IN RECOGNITION THAT GOH WILL CONCURRENTLY REINSTATE CANCELLED FORINT ACCOUNTS.

8. SHOULD ABOVE SCENARIO TAKE PLACE EMBASSY WILL NEED BY DECEMBER 13;

A. DEFINITE DATE BY WHICH SEC WILL PUBLISH
NOTIFICATION AND RESCISSION SOUGHT BY GOH.

B. USG AGREEMENT THAT IF GOH PAYMENT NOT ACTUALLY
RECEIVED (DUE TO BUREAUCRATIC DELAYS) FOR ONE OR TWO
WEEKS NO ADDITIONAL INTEREST WILL BE CHARGED AND SETTLE-
MENT WILL BE EFFECTIVE AS OF DECEMBER 15.

9. AKAR INCIDENTALLY TOLD ECONOFF THAT, ACCORDING TO
REPORT FROM GOH EMBASSY WASHINGTON, SECRETARY SIMON
INFORMED AMBASSADOR ESZTERGALYOS SHORTLY BEFORE SZEKER
ARRIVAL IN U.S. THAT IF GOH OPENED DISCUSSIONS ON WORLD
WAR I DEBT, USG WOULD RESPOND "KINDLY AND FLEXIBLY".
HUNGARIANS SEE LITTLE OF EITHER IN ACTUAL RESULTS,
ALTHOUGH BY NOW ACCUSTOMED TO USG ACCOUNTING SNAFUS.

10. ACTION REQUESTED: PLEASE:

A. RESPOND TO QUERIES RAISED PARA EIGHT ABOVE;
B. PROVIDE BY DECEMBER 13 PRINCIPAL POINTS
WHICH USG DEEMS ESSENTIAL FOR USG AND GOH NOTES TO BE
EXCHANGED; EMBASSY WILL OF COURSE CLEAR FINAL DRAFT WITH
DEPARTMENT.

11. EMBASSY REALIZES SHORT TIME FRAME IN WHICH IT IS
ASKING FOR REPLIES BUT TRUSTS THAT DUE TO DESIRABILITY
OF REACHING AGREEMENT BY DECEMBER 15 DEPARTMENT CAN
ACCOMMODATE.
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